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September 20, 2005

AGENDA ITEM 6

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Status of Strategic Plan Initiatives
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

Background

In December 2004, the Board adopted six new and expanded strategic initiatives to ensure that the strategic plan for health remains aligned with the changing healthcare market. These initiatives are consistent with the Board's four policy imperatives to seek to slow the rate of growth in healthcare costs, improve the quality and effectiveness of healthcare services or coverage, improve the stability and predictability of health premiums and provider networks, and provide meaningful provider and benefit choice to CalPERS members.

This is an update on the strategic plan initiatives for health.

Discussion

Significant progress has been made on most of the initiatives, which have now been fully integrated into our programs and health plan contracts. Staff has researched current and emerging best practices, worked with our health plans to assess and evaluate existing programs, and is in the process of working with our plans to obtain and analyze outcome data. Other initiatives will require longer term efforts and further research. The following describes the deliverables for each initiative, current CalPERS efforts, and next steps.

Disease Management

Deliverable: Determine whether current disease management programs are appropriately focused or should be enhanced and/or re-focused.

Current Efforts: All CalPERS health plans have implemented disease management and preventive health programs that target the most prevalent diseases for their CalPERS members, which include asthma, cholesterol management, congestive heart failure, coronary artery disease, diabetes, and depression as a comorbidity. Our health plans use various approaches to help members better understand and manage chronic medical conditions, such as the provision of educational and self-management tools.

Our health plans report to us at least annually on the results of their CalPERS disease management programs. This reporting may include disease prevalence, program structure, program processes, member participation, and clinical and utilization outcome data. The CalPERS Data Warehouse also provides data to evaluate any changes in disease prevalence and to identify the potential need for additional disease management programs.

Review of the Health Plan Employer Data and Information Set (HEDIS) standardized performance measures confirms our plans' disease management is improving. Results from the 2005 Health Plan Member Satisfaction Survey and other quality measures also indicate that management of these diseases is improving. CalPERS staff continue to monitor disease management program results to evaluate the effectiveness of our programs and to identify performance expectations.

Next Steps: Using early outcomes data, CalPERS staff will work with our health plans to establish baselines to ensure current disease management programs reach appropriate members, achieve positive outcomes, and realize a cost benefit. CalPERS will also shift the emphasis from plans demonstrating member participation to demonstrating improved health outcomes and lowered costs through the examination of utilization, clinical and financial outcome data.

High-Intensity Case Management

Deliverable: Determine the feasibility of expanding the use of high-intensity case management programs by CalPERS health plans.

Current Efforts: In 2003, Blue Shield contracted with ParadigmHealth to provide a high-intensity case management (HICM) pilot program offering educational, psycho-social support for patients diagnosed with certain late-stage illnesses. Blue Shield extended the highly successful program for three more years; expanded the population to include infants admitted into neonatal intensive care units, severe burn victims, and trauma patients with such conditions as brain or spinal cord injuries; and rolled out the program to its entire commercial book of business. Although it is still too early to analyze the data for long-term strategies, preliminary cohort study analysis results reveal estimated total gross savings of \$13,841 per case and a net savings of \$7,103 per case for CalPERS members. In addition, CalPERS received some 2006 rate savings from this program.

PERS Choice and PERSCare provide individualized case management to members experiencing complex, acute, chronic illness or catastrophic injuries using case managers to coordinate, monitor, and evaluate healthcare options and services. Blue Cross transitioned members identified as high risk to a health coaching model beginning in 2003. Individualized case management is provided to members using a member-centered approach. Members are connected to a multidisciplinary team of healthcare professionals, which is led by registered nurses. Teams may include dietitians, exercise physiologists, health educators, and social workers to address member needs. This model focuses on helping members set individual goals to manage their health conditions and guide members through behavior changes.

Kaiser provides HICM to its members through an integrated delivery system, and clinical information is used to identify member results. Kaiser reports that its disease management approach has achieved dramatic health improvements for patients; reduced hospitalization rates for diabetes, heart failure, and coronary artery disease; reduced emergency room visits for asthma for CalPERS members from 2002 to 2003; and contributed to premium savings.

Next Steps: Initial indications are that disease management interventions beyond providing member education and communication to coordinate member care are successful as evidenced by the expansion of the Blue Shield HICM program and the Blue Cross neonatal and transplant/oncology programs, and the integration of HICM in Kaiser's delivery system. Staff will continue to track the outcomes of these programs to determine what components of the HICM model should be included in disease management programs. Staff will also work with Western Health Advantage to determine how HICM is used within its contracted medical groups.

Member Engagement

Deliverable: Develop a proposal for a focused health-related member engagement activity to be conducted in partnership with the CalPERS Public Affairs Office, our contracted health plans, constituents, and employers.

Current Efforts: In September 2005, CalPERS made enhancements to its successful Health Plan Chooser Tool, an on-line decision-making tool released in 2004 to help members select the best health plans for their needs. Enhancements included advanced search features, pop-up guides and physician profiles.

In concert with the Public Affairs Office, CalPERS has begun implementation of Phase II of the Member Engagement Initiative -- the CalPERS Health Wallet pilot in September 2005. CalPERS will print 250,000 of the wallet-size portable databank cards for members to use to manage their healthcare records such as emergency telephone numbers, medical conditions, and prescription drugs. The card also includes a series of questions to ask physicians. Staff will incorporate constituent and focus group feedback on the Health Wallet into the final product that is planned to be released soon.

Next Steps: CalPERS staff have begun discussing a program-wide member engagement activity for 2006, such as a focus on “getting the most for your healthcare dollars” in CalPERS publications and in articles created for use by employers and constituent organizations.

During HMO contract negotiations for 2007, we will work with our plans to develop consistent requirements for specific member engagement and decision-support on-line tools. This will assure that CalPERS HMO members will be able to access similar member engagement and decision support tools, regardless of their plan. Our plans will also be asked to participate in planning for a CalPERS health-related member engagement activity in 2007, such as this year’s Health Wallet project.

Member Incentives

Deliverable: Recommend potential member incentive pilot programs guided by our research.

Current Efforts: Implemented in 2004, Blue Shield’s *Healthy Lifestyle Rewards* program provided cash incentives to nearly 1,000 CalPERS members as part of a pilot program designed to reward members for making lifestyle changes and reducing health risk factors. Cash rewards were paid based on participation, rather than on achievement of health goals. The program has been so successful, with 92 percent of participants indicating success in achieving healthier lifestyles, that Blue Shield is continuing the pilot through 2005.

Next Steps: CalPERS, in coordination with Blue Shield, will continue to monitor the *Healthy Lifestyle Rewards* pilot program throughout 2005 and explore ways of increasing member participation and measuring health outcomes. Staff will continue to research best practices for providing members with incentives as evidence suggests that incentives can result in better compliance with disease management programs. Staff will also work with all of our contracting health plans to develop member incentive pilot programs that are specific and measurable.

Centers of Expertise

Deliverable: Develop an evaluation process and timeline for identifying additional potential procedures and facilities that might be appropriate as Centers of Expertise (COEs).

Current Efforts: While organ transplants and non-emergency coronary artery bypass grafts (CABG) surgery are performed in COEs in Blue Shield, Kaiser, PERS Choice and PERSCare, CalPERS plans have moved forward to implement other COE procedures. Blue Shield implemented a COE network and will initiate bariatric surgery COEs by mid-2006 in southern California and statewide by the end of 2006. CalPERS will also discuss joint replacement surgery COEs with Blue Shield and WHA during the 2007 rate development process. In addition, Blue Cross will require PERSCare and PERS Choice members to use COEs for bariatric

surgery beginning in 2006. Travel benefits are provided to all CalPERS members who must travel to receive procedures at COEs.

Next Steps: CalPERS staff has re-evaluated this deliverable and, in collaboration with our plans, will provide periodic reports to the Board as additional COE networks are added to our health program. Current COE procedures will be evaluated using health plan experience, outcomes, and efficiency, and by comparing outcomes to various evidence-based criteria and hospital quality measures to optimize quality.

Telemedicine

Deliverable: Determine whether telemedicine would provide a cost-effective method for improving healthcare access and clinical outcomes for members in underserved rural areas.

Current Efforts: Identified by the Rural Health Task Force as a resource to improve access and quality of care in rural areas, the Blue Cross telemedicine pilot program will provide selected PERSCare and PERS Choice Basic plan members with services through an open access network delivery system beginning January 1, 2006. This pilot will test whether telemedicine can minimize geographic barriers for rural CalPERS members while increasing access to specialty care. Members in selected areas will receive access to designated specialists (including dermatologists, cardiologists, neurologists, and psychiatrists) through existing local telemedicine programs for a copay of \$20. Members will travel to local sites and be presented to specialists using live video conferencing or specialized “store and forward” software. Members can call the Blue Cross Telemedicine Department to find out if they can access care through the program and locate the nearest presentation site.

Next Steps: Blue Cross anticipates that providing members access to medical care through telemedicine will result in potential long-term cost savings through earlier diagnosis, treatment, intervention and management of chronic conditions; avoidance of chronic conditions escalating to require high cost procedures; and fewer repeated tests, labs, exams, follow-up specialty appointments, and lost workdays, as care is locally managed. CalPERS staff are working with Blue Cross to finalize evaluation criteria and identify data elements to determine if telemedicine is a cost-effective method for improving member access to healthcare.

Representatives of Blue Cross of California will make a presentation regarding the telemedicine pilot program during the September 20, 2005 Health Benefits Committee meeting.

V. STRATEGIC PLAN:

This item supports CalPERS Strategic Plan Goal III: Design, develop, and administer benefit programs and business processes that are innovative, effective, and efficient and valued by our members, employers, and stakeholders.

VI. RESULTS/COSTS:

While this item is presented as information only, the CalPERS costs associated with this item are included in the annual budget of the Health Benefits Branch.

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